TESTIMONY OF

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ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND
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## Introduction and Appreciation

Chairman LaTourette, Ranking Member Norton and Members of the Subcommittee – Good afternoon.

As the Executive Director of the Delta Regional Authority, I believe the role of the Authority is to create conditions, “climates of opportunity”, in which more business investments are made, services are better coordinated and good jobs are created.

Additionally I would add the Authority’s mission is to keep those jobs, and grow more jobs, within an ever-safer and ever-improving environment which delivers higher qualities of health, education and life, for all people and families in the Delta region.

This is the mission we take seriously at the Delta Regional Authority, and I fully recognize this is the mission you take very seriously in the United States Congress. We appreciate you for that.

Additionally, we appreciate Congress extending the Authority’s authorization to 2007, and as published in the Committee’s “Views and Estimates for Fiscal Year 2004”, we appreciate the Committee’s recommendation for funding the DRA at $30 million, equal to the authorized level.

On behalf of the Delta Regional Authority, let me express the Authority’s appreciation for your invitation to present testimony to this Subcommittee on:

- Regional economic development issues relating to the reauthorization of the Economic Development Administration,
- The Delta Regional Authority’s perspective on how existing economic development programs have worked and
- Any other issues the Authority deems relevant to this topic.

## Why Have Regional Commissions?

After our first-year's experience with the Delta Regional Authority, we have come to better understand the key points expressed by John Bruner, when as President of the National Association of Development Organizations, and in his "Written Statement for the Record" to the House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management on September 12, 2002, he said:

- *Federal multi-state regional commissions are a clear recognition that the most severely distressed regions of the nation need additional resources and attention to overcome persistent challenges and that economic recovery and competitiveness takes time, comprehensive planning and commitment at the federal, state and local levels.*

- *Federal multi-state regional commissions are unique because they have a flexible and comprehensive set of program tools to help the most distressed regions develop the basic building blocks for economic development, such as basic infrastructure, job skills training, local leadership and civic capacity, entrepreneurship, small business capital and accessible health care services.*

- *Federal multi-state regional commissions are not intended or designed to replace or duplicate other federal programs such as the Economic Development Administration. Instead, they are crafted to serve as complementary partners in serving regions with chronic and contiguous distress.*

- *A key element of the successful Appalachian Regional Commission model is the link made at the local level by the network of 72 multi-county development districts, which are responsible for helping local officials and communities "assess, plan and facilitate action" within their areas.*

- *In analyzing the national data and characteristics of rural America, it becomes quickly apparent that there are several multi-state regions suffering from long-term poverty, high rates of unemployment and low per capita income. These regions include the areas covered by ARC, the Denali Commission, Delta Regional Authority and Northern Great Plains Authority, as well as the proposed Southwest Regional Border Authority and South East Crescent Authority.*

I would like to note, as well, a "key element" of the successes within the Delta Regional Authority's first year has been our "link" made at the local level by the network of 44 multi-county development districts, which are responsible for helping local officials and communities "assess, plan and facilitate action" within their areas." This "link" is one we will make even stronger and will make greater use of in the coming years.

## Contiguous Poverty in the U.S. Defines Regions and Regional Commissions

I think the same reasoning we at the Authority use today, is the same reasoning used by Congress as the creators of the regional commissions, that being wherever there are regionalized "pockets of poverty" and areas of undue economic distress in a multi-state context, Congress has seen fit to create a regional commission to be the "overseeing guardian" which works as the point-agency charged to help relieve that distress.

Attached to my testimony is a county-level map of the United States, which graphically portrays the 1999 U.S. poverty data, where one can draw the elliptical circles around the country's poverty areas, which in turn, basically defines the areas of the regional commissions, such as:

- Appalachian Regional Commission,
- Denali Commission,
- Delta Regional Authority and
- Northern Great Plains Regional Authority.

Additionally, within the remaining "circles" around the country, there are stakeholders currently working to create the:

- Southwest Border Regional Border Authority,
- Southeast Crescent Authority and
- The Black Belt Commission.

In the recent and excellent publication, *Federal State Regional Commissions: Regional Approaches for Local Economic Development*, as published by the NADO Research Foundation, the authors forge the point that:

> *"Federal regional commissions are not intended or designed to replace or duplicate other federal programs such as the Economic Development Administration. Instead, they are crafted to serve as complementary partners in serving regions with chronic and contiguous distress. They help communities who are otherwise unable to access existing federal programs because of cost-share constraints."*

As a way of greater amplification, NADO's April 2003 report continued to delineate how the different regional commission created by Congress address their region's "unique needs":

- Appalachian Regional Commission -- In addition to its responsibilities to elevate the economy of its region, ARC is charged with the construction of the

Appalachian Development Highway System, plus, ARC now has "special authority to bring the latest telecommunications and technology to the region."

- Delta Regional Authority -- DRA places "special emphasis on the development of basic infrastructure and private-sector businesses, as well as, entrepreneur development and job-skills training."

- Denali Commission -- "is tasked with avoiding duplication of rural utility services and assistance, repairing and replacing bulk fuel storage tanks, and providing power generation and transmission facilities in rural Alaska."

- Northern Great Plains Authority -- "has a strong mandate to enhance basic infrastructure and telecommunications capacity", while "focusing on out-migration that has devastated numerous communities".

At this point, I will segue from the general discussion of the nation's different regional commissions to the specific discussion of the Delta Regional Authority.

**Overview of the Delta Regional Authority**

Succinctly, the Authority was well-described by this Subcommittee, in the "Background" information prepared for the DRA's September 12, 2002 hearing, when it wrote:

> *"The Delta Regional Authority is designed to remedy severe and chronic economic distress by stimulating economic development. In attempting to recreate the successes of the Appalachian Regional Commission, which has helped to remedy severe and chronic economic distress in the counties of the Appalachian region of the United States, the Authority has adopted many of the same indicators and designations used by the ARC."*

The Delta Regional Authority was created as an independent federal agency to serve as the federal-state partnership on behalf on the Region, on December 27, 2000 in the "Delta Regional Authority Act of 2000". The Authority is now comprised of 240 counties and parishes in eight states in and around the Mississippi River Delta region.

The Authority is governed by a Board comprised of:

| | | |
|---|---|---|
| • Patrick H. "Pete" Johnson | Federal Co-Chairman | |
| • Governor Mike Huckabee | State Co-Chairman, Arkansas | 42 counties |
| • Governor M.J. "Mike" Foster | Louisiana | 46 parishes |
| • Governor Paul E. Patton | Kentucky | 21 counties |
| • Governor Ronnie Musgrove | Mississippi | 45 counties |
| • Governor Bob Holden | Missouri | 29 counties |
| • Governor Rod R. Blagojevich | Illinois | 16 counties |
| • Governor Phil Bredeson | Tennessee | 21 counties |
| • Governor Bob Riley | Alabama | 20 counties |

## The Delta Region Authority Serves a Predominately Rural Area

As some sixty percent of the Region's population lives in its more-rural areas, we recognize those peoples' problems and their lack of opportunities are exacerbated, in regard to the basic foundations of this prosperous society, as compared to citizens on the more-urban parts of the Region. Additionally, we recognize that in these more-rural areas, there is a greater incidence of poverty, with its attendant problems.

With regard to poverty, particularly rural poverty, we all know the truth. Without lengthy recitation of statistics, and whether we think politically, anecdotally, empirically or academically: we know by any objective measure, the ravages and terror of poverty are a heavy burden for people and their families to bear.

We acknowledge, too, the fact, which is especially true for poor, rural people, as they have even more difficulty accessing and enjoying the most-basic tenets of American life:

1. Affordable, accessible, quality healthcare and wellness programs,
2. Housing that is safe, decent and affordable,
3. Life-long, quality learning opportunities,
4. Transportation systems that sustain economic growth while promoting safety and
5. Equal access to capital, which will yield greater creation and maintenance of wealth, particularly, wealth that is transferable between the generations of each family.

## The Chronology to the Creation of the Delta Regional Authority

Let me provide the chronology of events and initiatives, as excerpted from *Delta Visions, Delta Voices* Appendix B, detailing how the Delta Regional Authority came into being, as this history of the Authority's evolution is important to frame the discussion at hand.

*Delta Visions, Delta Voices*, published in 2000, was the compendium of the efforts and endeavors in and on behalf of the Delta, and the report presented two pieces, both of which are paramount to the Delta's future:

- The "Voices" of the Delta citizens -- the "grass-roots" input from Delta citizens, which documented their understanding of their local problems, their local solutions and their local priorities, plus
- The "Visions" component -- the "bottom-up plan" projecting the needs of the Region and the absolutely critical need for the coordination of federal services and assets, both of which were specifically designed to meet the needs and

priorities of the Delta, as articulated by the people of the Delta, and which intersects the federal government's capacity to deliver such services and assets.

The "formal" genesis of the Delta Regional Authority seems to be when the "The Lower Mississippi Delta Development Commission" was envisioned by former Senator Dale Bumpers (AR) and former Congressman Mike Espy (MS), who drafted the legislation authorizing the Lower Mississippi Delta Development Commission (commonly called The Delta Commission), in 1987. I characterize this as "formal", because I am certain that the problems in the Delta Region have been discussed daily, somewhere in the Region, as long as there has been a "Delta".

From that seminal event and the chain of processes it created, momentum and interest in the Region seemed to accelerate and grow, as over the next three years:

- Congress had enacted Public Law 100-460 to establish the Lower Mississippi Delta Development Commission,

- The Commission had studied, made recommendations on the economic needs, problems, and opportunities of the Region and developed a ten-year economic-development plan for the Delta, entitled, *Body of the Nation: The Interim Report of the Lower Mississippi Delta Development Commission* and

- The Commission's final report, *The Delta Initiatives: Realizing the Dream...Fulfilling the Potential*, was prepared and submitted to President Bush and the 101st Congress.

From that base, and between the years of 1994 and 1996, both Congress and the President commissioned several more efforts, including those by:

- Secretary of the Interior Bruce Babbitt, who undertook a comprehensive program of studies on the heritage of the Lower Mississippi Delta,

- Then-Federal Highway Administrator Rodney Slater, who released *Linking The Delta region With The Nation and The World* ,

- The U.S. Departments of Agriculture and Interior, the U.S. Fish and Wildlife Service, the U.S. Geological Survey, and the U.S. Environmental Protection Agency (USGS), which cosponsored a Delta technical conference on agricultural and environmental issues, opportunities, and technology transfer and

- The U.S. Department of Agriculture in collaboration with the Housing Assistance Council, began an initiative to create a comprehensive community development strategy for the Delta.

Clearly, by 1998, a permanent structure was being sought Members of Congress Harold Ford, Jr. (TN) and Marion Berry (AR), who worked to gain Congressional approval of the $26 million plan by President Clinton to promote economic revitalization of the Lower Mississippi Delta region.

While this legislation did not pass, the Administration began to increase Delta initiatives and the use of the Executive departments and agencies, including its U.S. Department of Agriculture, U.S. Department of Transportation and the U.S. Department of Housing and Urban Development.

By September 1999, *The Mississippi Delta: Beyond 2000 Interim Report* was released, which reviewed the progress achieved in fulfilling many of the 400 recommendations of the Delta Commission's 1990 report. During that same month, U.S. Senator Blanche Lincoln (AR) and U.S. Congressman Marion Berry (AR) introduced legislation to establish a Delta Regional Authority, "To provide economic, planning and coordination assistance needed for the development of the lower Mississippi River region."

Through the Authority's research of the Authority's legislative history, it was interesting to see the two pieces of legislation, which in ultimately became the "Delta Regional Authority Act", introduced in the first session of the 106th Congress:

1. S 1622 (by Mrs. Lincoln, Mr. Frist, Ms. Landrieu, Mr. Hutchinson, Mr. Breaux, and Mr. Durbin) and

2. H.R. 2911 (by Mr. Berry, Mr. Ford, Mr. Gephardt, Mr. Tanner, Mr. Snider, Mr. Thompson of Mississippi, Mr. John, Mr. Costello, Mr. Jefferson, Mr. Hutchinson, and Mr. Dickey).

Both proposals, again, were "to provide economic development assistance and the planning and coordination needed to assist in development of the lower Mississippi Delta region".

Additionally, each bill included the same set of "Findings and Statement of Purpose":

1. The lower Mississippi River Delta region, though rich in natural and human resources, lags behind the rest of the country in economic growth and prosperity;

2. This region suffers from a greater proportion of measurable poverty and unemployment than any other region of the country, resulting in a drain on the national economy and diminishing the national wealth;

3. The greatest hope for economic growth and revitalization in the Delta region lies in the creation of jobs, the expansion of existing businesses, and the development of entrepreneurial local economies;

4. The economic progress of the Delta region requires an adequate physical infrastructure, a skilled and trained workforce, enhanced local leadership and civic capacity; and greater opportunities for enterprise development and entrepreneurship;

5. A concerted and coordinated effort among Federal, State, and local agencies, as well as with the private sector, nonprofit groups, and community-based organizations is needed if the Delta region is to share in the prosperity of the nation;

6. Economic development planning on a regional or multi-county basis offers the best prospect for achieving the maximum benefit from public and private investments; and

7. Improving the economy of the Delta requires a special emphasis on those parts of the Delta region that are most economically distressed.

Given these expressed policy statements, coupled with subsequent authorizings and fundings of the Authority, it is clear that Congress has again and again seen the needs of the Region and supported this regional-commission approach to its economic development.

**Summary of the DRA 2001/2002 Federal Grant Program**

While the Authority's public-policy missions are listed below, it has been clear that the third point garners the most attention of the Authority, both within and without, and for which the Authority's fine efforts receive the most scrutiny:

1. Increase the capacity and effectiveness of state and local civic leadership and economic development efforts,

2. Develop a comprehensive and coordinated plan, which is "top-down", "bottom-up" and cross-sectional across the Region, in terms of input (needs, solutions and priorities), while insuring appropriate short-term, intermediate and long-term metrics are adopted to yield sufficient measures of accountability and progress and

3. Help fund needed infrastructure throughout the 240 counties and parishes of the Delta region, with particular targeting of such in economically distressed counties and parishes.

In the DRA's enabling statute, Congress gave the Authority the responsibility of a federal grant program which, for the last twelve months, has consumed much of the Authority's resources and time. Since opening the process, almost 750 applications, totaling over $255 million in requests for DRA assistance, were submitted to the Governors. Had all of these projects been funded, that total would have risen to exceed $500 million of projects. Accordingly, the Governors were faced with the difficult task of identifying, ranking and prioritizing their state's projects for funding by the DRA.

While the program did evidence numerous difficulties in this first round and which I will enumerate in the next section, let me now provide the financial-performance indicators for the DRA 2001/2002 federal grant program.

By the end of September 2002, when virtually all of the 2001/2002 applications had been scored, the Authority had been able to allocate some $28.3 million of its grant money (as appropriated by Congress) in 138 projects, which leveraged over $119 million in total project investments. Accordingly, the financial-performance outcomes equaled a leverage ratio of 4.21 to 1. In other words, every federal DRA dollar invested, in turn, generated a total investment of $4.21.

From the states' perspective, this was an outstanding example of their stewardship of taxpayer dollars. Succinctly, the states collectively invested $568,853 in the DRA administrative costs, as required by law, and in return for that investment, they received about $28.3 million in DRA funds, which was a return of $50 to each state dollar invested. Yet even more impressive is their total return on investment, which produced a total-project investment of over $119 million.

In other words, the dollars from the states for administrative costs yielded a gross ROI of $215 for each state-invested dollar.

Overall, the Region's and State's key financial-performance indicators for DRA's 2001/2002 Federal Grant Program are presented below, followed by "Investments by Priority":

| **DRA States** | **Total Funds Leverage Ratio** | **ROI on DRA Funds** | **ROI on Total Funds** |
|---|---|---|---|
| Alabama | 1.75 to 1 | $50 to 1 | $86 to 1 |
| Arkansas | 4.52 to 1 | $50 to 1 | $225 to 1 |
| Illinois | 5.21 to 1 | $50 to 1 | $260 to 1 |
| Kentucky | 13.99 to 1 | $50 to 1 | $696 to 1 |
| Louisiana | 3.00 to 1 | $50 to 1 | $149 to 1 |
| Mississippi | 2.73 to 1 | $50 to 1 | $135 to 1 |
| Missouri | 2.82 to 1 | $50 to 1 | $140 to 1 |
| Tennessee | 2.60 to 1 | $50 to 1 | $129 to 1 |
| **Total** | **4.21 to 1** | **$50 to 1** | **$215 to 1** |

| **DRA Category** | **DRA Funding** | **Total Project Funding** | **DRA Funding** | **Total Project Funding** |
|---|---|---|---|---|
| **Basic Public Infrastructure** | $ 12,150,824 | $ 41,436,163 | 43% | 35% |
| **Transportation Infrastructure** | 7,564,003 | 23,161,413 | 27% | 19% |
| **Business Development** | 3,613,279 | 45,843,547 | 13% | 39% |
| **Workforce Training** | 3,617,715 | 7,361,531 | 13% | 6% |
| **Other (LDD, etc.)** | 1,026,647 | 1,203,121 | 4% | 1% |
| **Unencumbered Allocations** | 327,529 | 0 | 1% | 0% |
| **Total** | $ 28,299,999 | $ 119,005,775 | 100% | 100% |

**Lessons Learned During the First DRA Federal Grant Process and The DRA's 2003 Federal Grant Program**

Voting Structure of the DRA Governing Board

While not explicitly a part of the DRA 2001/2002 federal grant program, but one of the most important changes to bolster the Authority's evolution toward it institutionalizing the type of federal grant program as intended by Congress, was the change to the Authority's voting structure for its Board.

In the original enabling legislation there were nine total votes available: one for the Federal Co-Chair, plus one vote for each of the eight Governors. With the passage of the 2002 Farm Bill, the vote basically became 50 percent of a vote for the Federal Co-Chair plus another 50 percent of a vote for the majority of votes by the Governors.

Accordingly, the passage of this voting structure allowed the Authority to maintain its important "federal-state partnership", yet better empowers the Authority to create and maintain a strong federal grant program. As John Bruner, President of NADO has said, this structure will "ensure DRA investments meet federal guidelines, are leveraged and coordinated with other federal programs, and are tied to regional plans and strategies."

Enhancements to the DRA 2003 Federal Grant Program

While it was clear during the DRA's initial federal grant program (the 2001/2002 program) that several problems occurred, most of these problems were functions of the "newness" of the Authority, coupled with the incredible "pent-up" demand (seemingly by everyone connected with the program) for these much-needed grants to be approved and executed.

I can summarize the first-year program by saying it lacked:

- Sufficient and coordinated planning ("top-down", "bottom-up" and "cross-sectional" perspectives), as the actual planning processes used in the initial grant program seemed to belie the great history of planning that had been inherent to the evolution of the Authority and

- Sufficient preparation, guidelines, processes, policies, procedures, publication, education and staff.

Clearly, this area -- the DRA 2003 federal grant program -- is where the most tangible set of changes in the DRA will be evidenced. And, please note, each point addresses specific needs illuminated during the first-year program.

Accordingly, for the DRA 2003 federal grant program, the Authority will execute throughout the Region:

- Uniform and aggressive access to information on the DRA 2003 federal grant program,

- Video (web-based and DVDs) tutorials, as additional teaching and information tools for local pre-applicants,

- Uniform pre-applications,

- Uniform full applications,

- Uniform definitions of eligible activities and categories – also, greater definitiveness and clarity of the program's eligibility requirements,

- Uniform timelines and process-compliance,

- Uniform access to both DRA and state plans,

- Stronger roles for the Local Development Districts to better publicize the program within their areas and educate their clients to the 2003 processes, both through public forums and other appropriate outreach, while assisting their clients in the preparations of their pre-applications and

- Greater, and earlier, collaboration with the "basic federal agencies", which will serve as "project administering agencies". In fact, it appears the DRA will be able to produce better results and additional enhancements in the 2003 program from an even-closer relationship with USDA Rural Development, soon to be consummated.

Additionally, throughout the DRA 2003 federal grant program's processes, each participating state member will maintain its singular independence in project selection, within the parameters of their own state plans and priorities. Participating member states must have this flexibility during their evaluation, selection and certification processes.

## Closing

Again, Chairman LaTourette, Ranking Member Norton and Members of the Subcommittee, let me express the Authority's appreciation for your time, consideration and continued support of regional economic development.